



Olympia Office

2025 End of Legislative Session Update

MAY 2025

The **last day** of the **105-day Legislative Session** was on **Sunday, April 27, 2025**. The **Governor** has **20 days to take action** (sign bills into law, veto or veto a portion) on bills that passed the legislative session.

All bills that did not pass in the 2025 Legislative Session will automatically be alive again in the 2026 Legislative Session which begins on **Monday, January 12, 2026**.

SPECIAL ELECTIONS & FUNDRAISERS THIS SUMMER

We will be holding Fundraising events this summer for the following candidates:

- Rep. **Michelle Caldier** (R-26) for **State Senate** || <https://michelle4senate.com/>
- Rep. **Amy Walen** (D-48) for **State Senate** || <https://www.voteamywalen.com/>
- **Kevin Schilling** (D-33) for **House** || <https://www.electkevinschilling.com/about-kevin>

End of Session Legislative Overview

The Washington State Legislature **concluded with Sine Die** (end of session, literal Latin meaning is “without a day”) for this year’s 105 day “long session” which began on **Monday, January 13** and ended on **Sunday, April 27**. Governor Ferguson **has until May 20**, to take action on bills that have passed the Legislature. The Governor may decide to sign legislation, veto part of a bill, or veto all of it, however, the Legislature may vote to override the veto, but that rarely happens. Bills that are delivered to the governor more than five days before the Legislature adjourns have five days to be acted on.

The Washington State Legislature **had a challenging session** this year having started with a **budget shortfall** projected around **\$12 billion to \$16 billion** over the next 4 years. Along with a new Governor who publicly denounced tax proposals from his own Democratic Party, three

budgets (Operating, Capital, & Transportation) were negotiated between the Senate and House, and passed out on the in the in final day of this year's session. They await the Governor's signature.

During this 2025 legislative session, **431 bills passed the Washington State Legislature** (delivered to the Governor). Rent control, education funding, public safety and transportation funding dominated a lot of debates. One of the last and most passionate debates was regarding the closure of a school for people with developmental disabilities the Rainier School, and some Republicans insisted the debate delayed the final budget votes which would explain why they walked out during the committee hearing. Further, during the final vote, Republican Representative Jeremie Dufault was banned from the final days of floor sessions after angrily shouting in disagreement without being called on by the Speaker. Lastly, this year also brought out more residents all across Washington State to testify in person but also virtually, a new reality since the 2020 session that has increased civic engagement. Civic engagement in the State Legislature can partly be attributed to "killing" some bills this session.

In his first term as Governor of Washington State, Bob Ferguson navigated a challenging legislative session with a more direct and public role than the former Governor Inslee. He successfully navigated a budget that **avoided extreme proposals like the wealth tax**, which he threatened to veto, while securing his own priorities like the \$100 million to increase law enforcement staffing. Despite some criticism from business leaders over increased taxes, Ferguson's approach balanced spending cuts with new revenue measures. Ferguson's careful scrutiny of the different State budget details reflects his public commitment to protecting the state's financial health and working with Republicans while he still prioritizes his own party's goals like ensuring programs for vulnerable populations are funded.

The **2025 legislative session** was **described by many Legislators as one of the most difficult in recent years**, marked by a significant budget shortfall, many new taxes and fee increases, intense debates on key issues like education and public safety, and an increase of civic engagement and opposition to bills. Ferguson, in his first term, navigated the complexities with a focus on fiscal responsibility and bipartisan collaboration. We await his decisions on the remaining bills as well as the budgets in the coming days, which **could potentially add a special session**.

\$77.8 BILLION OPERATING BUDGET

With a **total expenditure of \$77.8 billion**, the budget avoids **tapping into the state's emergency reserves** and raises **\$7.4 billion in new tax revenue** and nearly \$3 billion in spending cuts. Major funding includes **\$100 million for law enforcement hiring** and **\$4.4 billion** to sustain **current service levels**, with significant investments in education, such as **\$682 million for K-12 schools**. Despite anticipated cuts, such as the delay in expanding the Fair Start for Kids Act, the budget preserves state worker contracts, ensuring no furloughs or bonus alterations which was considered. Utilizing some strategic financial maneuvers, including a pension fund

investment adjustment, the plan minimizes immediate fiscal strain while preparing to fund future priorities. Democrats emphasize the budget's role in supporting public education and critical services, while concerns from Republicans were that the tax burden on Washingtonians is too high.

\$7.5 BILLION CAPITAL BUDGET

The final adopted 2025-27 biennial capital budget, combined with the 2025 Supplemental capital budget, directs a total of **\$7.5 billion** towards **public infrastructure and grants across Washington State**. This budget emphasizes housing, education, and natural resources, authorizing **\$4.7 billion in new debt limit bonds** and reappropriating **\$4.9 billion to continue existing projects**. Key investments include:

- \$975 million for education,
- \$827 million for natural resources, and
- \$772 million for housing and homelessness.
- \$375 million is designated for environmental and energy projects.

The supplemental budget provides \$109.1 million in authority adjustment savings and includes \$64 million in new bonds for broadband expansion, reaching a total of \$114 million, while achieving \$73 million in savings from the School Construction Assistance Program. This was a bipartisan budget.

\$15.5 BILLION TRANSPORTATION BUDGET

The 2025-27 Biennial Transportation Budget authorizes **\$15.5 billion in spending**, with \$9.2 billion designated for capital expenditures and \$6.2 billion for operating expenses. Despite new revenue streams, including a **6-cent increase in the state gas tax** (raising it from 49.4 cents to 55.4 cents per gallon in July) expected to generate \$1.4 billion over six years, and additional vehicle and luxury taxes, some transportation projects are delayed to maintain a balanced four-year financial plan. These new revenues are projected to yield over \$3 billion over six years, further supported by a 0.1% sales tax dedication beginning in 2028, contributing \$300 million annually. The budget is bolstered by federal funds, nearly \$3.3 billion in bond sales, and existing account balances, ensuring balanced transportation accounts over the planning horizon. Additionally, a new bond authorization for the Interstate 5 Bridge Project allows for future toll-based funding.

HIGHLIGHTED POLICY BILLS PASSED

HB 1217 – Rent Control – Delivered to Governor

- Caps annual rent increases at 7% and prohibits increases during the first 12 months of a tenancy, with exemptions for new construction, nonprofit-owned units, and certain owner-occupied properties.

- Requires 180 days' notice for rent increases of 3% or more, and mandates detailed disclosures for annual rent and fee increases.
- Allows tenants to terminate leases without penalty if rent increases exceed legal limits and prohibits evictions for nonpayment of unlawful rent or fees.
- Limits late fees to a maximum of 5% of rent and restricts move-in fees and security deposits to one month's rent, with exceptions for subsidized housing.
- Establishes a Landlord Resource Center, requires multilingual model lease provisions, and mandates a social impact assessment by 2028.

HB 1096 – Increasing housing options through lot splitting – Delivered to Governor

- Requires cities to establish an administrative approval process for a lot split, which may be combined with concurrent review of a residential building permit for new single-family or middle housing.

ESHB 1644 – Safety and health of working minors – Effective Date 7/1/2026

- Establishes minimum penalties for violations of restrictions governing the employment of minors in nonagricultural and agricultural industries.
- Requires the Department of Labor and Industries (L&I) to revoke an employer's minor work permit if the employer committed a serious, willful, or ongoing safety or health violation or child labor violation that caused death or serious physical harm to a minor or that required an order of immediate restraint.
- Precludes a contractor subject to a minor work permit revocation from bidding on public works projects in certain circumstances.
- Requires L&I to conduct a safety and health consultation at a worksite before granting a student-learner variance allowing a minor to perform work typically prohibited based on the minor's age.

HB 1858 - Eliminating the exemption for assignments or substitutions of previously recorded deeds of trust from the document recording fee and the covenant homeownership program assessment – Effective Date 7/27/2025

- Removes the exemption for assignments or substitutions of previously recorded deeds of trust from the \$183 housing and homelessness document recording surcharge.
- Removes the exemption for assignments or substitutions of previously recorded deeds of trust from the \$100 Covenant Homeownership Program assessment.

EHB 1874 - Training for hair related industries- Delivered to Governor

- Requires cosmetologists, barbers, estheticians, and hair designers to receive training on the care, styling, and treatment of textured hair.

SB 5375 - Duty of clergy to report child abuse and neglect - Effective date 7/27/2025

- Requires members of the clergy to report child abuse or neglect when they have reasonable cause to believe that a child has suffered such abuse or neglect.

SB 5473 - Law enforcement personnel grievance arbitration procedures - Effective date 7/27/2025

- In the law enforcement personnel grievance arbitration statute, the definition of grievance arbitration is modified to specify that the arbitration must be requested in accordance with the procedures established in the collective bargaining agreement.
- A requirement that the terms of no more than three arbitrators on the law enforcement grievance arbitration roster may expire in the same year is removed.

HIGHLIGHTED POLICY BILLS THAT DIED

HB 1380 - Allowing objectively reasonable regulation of the utilization of public property

- Requires that any city or town, code city, or county laws that regulate the acts of sitting, lying, sleeping, or keeping warm and dry outdoors on public property that is open to the public, and any enforcement of such laws, be objectively reasonable as to time, place, and manner.
- Requires that any state law that regulates the acts of sitting, lying, sleeping, or keeping warm and dry outdoors on any capitol building lands that are open to the public, and any enforcement of such laws, be objectively reasonable as to time, place, and manner.
- Creates a private cause of action for injunctive or declaratory relief to challenge the objective reasonableness of such a law.

HB 1125 - Providing judicial discretion to modify sentences in the interest of justice

- Establishes a process for certain persons convicted of a felony offense to petition the sentencing court for a modification of the original sentence upon meeting specific eligibility criteria.
- Requires the Office of Crime Victims Advocacy to establish a flexible fund for certain affected victims, contract with prosecuting attorney's offices to offer related victim advocacy services, and contract with an entity with expertise in victim services to provide related training for victim advocates.

HB 1399 - Modernizing, harmonizing, and clarifying laws concerning sheriffs, chiefs, marshals, and police matrons

- Provides eligibility and background investigation requirements for sheriffs, police chiefs, and marshals.
- Amends the duties of sheriffs and their deputies.
- Limits the use of volunteers and specially commissioned officers and outlines roles in which volunteers and specially commissioned officers may be used by local law enforcement agencies or sheriffs.
- Makes other changes to the Criminal Justice Training Commission certification and certification denial, suspension, or revocation procedures.

SB 5360 - Concerning environmental crimes

- Establishes new crimes and provides penalties and exceptions, and reclassifies existing crimes, for certain violations of the state Water Pollution Control Act, Clean Air Act, Hazardous Waste Management Act, and other specified provisions (environmental laws).
- Provides first-degree and second-degree felony violations for certain offenses under specified environmental laws in the state sentencing grid as seriousness level V and III offenses, respectively.
- Repeals certain provisions relating to existing criminal penalties in environmental laws.

SB 5098 - Restricting the possession of weapons on the premises of state or local public buildings, parks or playground facilities where children are likely to be present, and county fairs and county fair facilities

- Prohibits weapons at certain park facilities where children are likely to be present, certain state or local public buildings, and certain county fairs and county fair facilities, subject to various exceptions.
- Requires the perimeter of specific weapon-restricted areas be posted at common public access points as soon as practicable to alert the public of the existence of any law restricting the possession of firearms on the premises.
- Extends and adds certain exceptions to area-based weapon restrictions.

SB 5797 - Enacting a tax on stocks, bonds, and other financial intangible assets for the benefit of public schools

- Establishes a tax at a rate of \$5.00 per \$1,000 of the true and fair value on certain financial intangible assets on the portion of assets owned by a Washington resident in excess of \$50 million.

2025 BUDGET ANALYSIS – AWAITING GOVERNOR’S SIGNATURE

Revenue Bills/New Taxes

SB 5794 – Repeal of Tax Exemption Preferences

The legislature states that while some tax preferences (like food sales tax exemptions) help rebalance the tax code for working people, many others resulted from private interests securing preferential treatment. The bill implements recommendations from the Joint Legislative Audit and Review Committee, the Citizen Commission for Performance Measurement of Tax Preferences, and the Department of Revenue.

Key Tax Changes

1. Title Insurance Agent Taxation

- **Removed:** The bill eliminates title insurance agents from the preferential tax rate that applies to insurance producers, meaning they will no longer qualify for the 0.484% tax rate.

2. Credit Union Taxation

- **Added:** Starting October 1, 2025, any credit union that merges with or acquires a bank regulated by the Department of Financial Institutions will lose its B&O tax exemption and be subject to a 1.2% tax rate on gross income.
- This provision doesn't apply to transactions with regulatory applications submitted before the effective date.

3. Self-Storage Facility Taxation

- **Added:** Effective April 1, 2026, income from renting or leasing individual storage spaces at self-service storage facilities will be subject to B&O tax at the standard service business rates (1.75% or 1.5% depending on circumstances).
- **Added:** Clarifies that proceeds from individual storage space rentals or leases for 30 days or longer at self-service storage facilities are not considered "sale of real estate" and thus are not exempt from B&O tax.

4. Repealed Tax Preferences

The bill completely repeals six tax preferences:

- Exclusion of precious metal and monetized bullion from "sale at wholesale" and "sale at retail" definitions
- Credit for light and power businesses and gas distribution businesses
- Credit for new employment in international service activities in eligible areas
- Deduction for interest on investments or loans secured by mortgages or deeds of trust
- Tax on loan interest
- Credit for public safety standards and testing

5. Technical and Administrative Updates

- Updates formatting in multiple sections from spelled-out numbers to numerals (e.g., changing "forty-five" to "45")
- Removes an obsolete reference to tax exemption related to foreign depository agencies
- Updates cross-references throughout the code

Effective Dates

- Most provisions take effect January 1, 2026
- Self-storage facility taxation take effect April 1, 2026
- One section related to newspaper publishing takes effect January 1, 2034
- Another section expires January 1, 2034

Legislative Findings

The legislature notes that:

- Washington currently has 786 tax exemptions resulting in nearly \$200 billion in taxpayer savings for the current biennium
- Many exemptions are obsolete due to changes in law or simply not used
- More progress is needed to create a fair tax system that provides sustainable funding for public services

The bill represents an effort to evaluate the tax code and remove inefficient or no longer applicable tax exemptions while clarifying legislative intent for future tax preference reviews.

Sponsor: *Senators Salomon, Lovelett, Alvarado, Bateman, Dhingra, Frame, Hasegawa, Nobles, Ramos, Riccelli, Trudeau, Wellman*

Status SB: [Delivered to Governor](#)

HB 2049/SB 5812 – Major Property Tax Increase

Modifies state and local property tax authority and adjusts school funding formulas for K-12 education in Washington State.

Key Tax Changes

Section 1: Amendments to Enrichment Levies

1. **Introduction of "Inflation Enhancement"**
 - A flat \$500 addition in 2026
 - 3.33 percentage points added to inflation annually from 2027 to 2030
2. **Changes to Maximum Per-Pupil Limit**
 - Through 2030:
 - Districts with fewer than 40,000 students: \$2,500 per pupil (adjusted for inflation plus inflation enhancements)
 - Districts with 40,000+ students: \$3,000 per pupil (adjusted for inflation plus inflation enhancement)
 - Beginning in 2031:
 - Unified rate of \$5,035 per pupil for all districts regardless of size
 - This rate will be adjusted for inflation beginning with taxes levied for collection in 2032
3. **Removal of COVID-Related Provisions**
 - Eliminates all language related to "open for in-person instruction to all students"
 - Removes exceptions for using 2019-20 enrollment figures in 2022 and 2023

Section 2: Amendments to Local Effort Assistance Funding

1. **Change to Inflation Definition**
 - Replaces Consumer Price Index with the implicit price deflator as the measure of inflation
 - New definition uses the implicit price deflator for the previous calendar year
2. **Removal of COVID-Related Provisions**
 - Removes exceptions for using 2019-20 enrollment figures in 2022 and 2023

Section 3: K-12 Funding Equity Work Group

While not a direct tax change, this new section establishes a work group with potential future tax implications:

1. **Required Analysis Areas**
 - Impact of changes to per-pupil funding and local revenue
 - Distribution trends from school funding formula
 - Impact of economic disparities on school resources
2. **Reporting Requirements**
 - Must report by November 1, 2025, and annually through 2027 on:
 - Options for funding formula revisions
 - Potential adoption of student weights for funding
 - Modifications to state and local tax authority for schools
 - This section expires December 1, 2027

Practical Impact Analysis

1. **Higher Per-Pupil Funding Caps**

- By 2031, all districts will see a significant increase to \$5,035 per pupil
 - This represents a substantial increase from the current \$2,500/\$3,000 split system
 - The "inflation enhancement" mechanism accelerates funding increases between 2026-2030
- 2. Change in Inflation Metric**
- Moving from CPI to the implicit price deflator could result in different adjustment rates
 - The implicit price deflator typically measures broader economic inflation
- 3. Future Tax Structure Review**
- The K-12 funding equity work group signals potential additional tax structure changes

Conclusion

HB2049 significantly increases maximum per-pupil levy limits culminating in a unified \$5,035 rate by 2031, allowing districts to collect substantially more in local property taxes for education. The bill also establishes a path for studying and potentially implementing broader tax authority modifications for school funding in the future.

Sponsor: *Representatives Bergquist, Pollet, Santos, Peterson, Fosse, Ryu, Ormsby, Parshley, Macri, Wylie, Berry, Ramel, Street, Gregerson, Doglio, Farivar, Reed, Reeves, Hill, Callan; Senators Wellman, Hansen, Alvarado, Frame, Nobles, Pedersen, Valdez, Wilson, C.*

Status HB: [Delivered to the Governor](#)

Status SB: **DEAD** – Senate Ways & Means Committee | NTIB

[HB 2082/SB 5813](#) – Estate Tax Increase & Expansion

This bill makes significant changes to Washington State's tax structure, specifically targeting capital gains tax and estate tax to increase funding for the education legacy trust account.

Capital Gains Tax Changes

- 1. Additional Capital Gains Tax Rate (Section 101):**
- The bill maintains the existing 7% excise tax on long-term capital assets that began January 1, 2022
 - It adds a new 2.90% additional tax on capital gains exceeding \$1,000,000, effective January 1, 2025
 - This creates a tiered system where gains above \$1 million are effectively taxed at 9.90% (7% + 2.90%)
 - This change applies to taxes imposed in 2025 for collection in 2026

Estate Tax Changes

- 1. Increased Exclusion Amount (Section 201):**
- Raises the estate tax exclusion from \$2,193,000 to \$3,000,000 for estates of decedents dying on or after July 1, 2025
 - Establishes an annual inflation adjustment mechanism based on the consumer price index starting in 2026
 - The adjustment uses October 2024 as the baseline (rather than October 2012)

- The bill codifies historical exclusion amounts that were previously adjusted for inflation
- 2. More Progressive Estate Tax Rate Structure (Section 202):**
 - Creates a new tax rate table for estates of decedents dying on or after July 1, 2025
 - Increases rates across almost all brackets compared to the previous structure
 - The top tax rate increases from 20% to 35% for estates over \$9,000,000
 - Lower brackets also see significant increases:
 - \$1-2 million bracket: from 14% to 15%
 - \$2-3 million bracket: from 15% to 17%
 - \$3-4 million bracket: from 16% to 19%
 - \$4-6 million bracket: from 18% to 23%
 - \$6-7 million bracket: from 19% to 26%
 - \$7-9 million bracket: from 19.5% to 30%
- 3. Family-Owned Business Interest Deduction (Section 203):**
 - Increases the qualified family-owned business interest deduction from \$2.5 million to \$3 million (aligned with the estate tax exclusion amount)
 - Adds inflation adjustment provisions matching those for the estate tax exclusion
 - Maintains the requirement that family-owned business interests exceed 50% of the estate to qualify
- 4. Farm Property Deductions (Section 204):**
 - Expands estate tax deductions for farm property to include property passing to "qualified nonfamilial heirs"
 - Defines "qualified nonfamilial heir" as a farm employee who materially participated in farm operations
 - Adds definition of "employee of a farm" as someone hired by the decedent/family receiving wages or salary

Purpose and Implementation

- The bill explicitly states it aims to make Washington's tax system more progressive, noting it's currently "the second most regressive in the nation"
- The legislature acknowledges the 2024 voter approval (64.11%) to uphold funding for education via capital gains tax
- Revenue from these changes is dedicated to the education legacy trust account to fund K-12 education, early learning, child care, and higher education
- The bill contains an emergency clause making it effective immediately upon signing, though the actual tax provisions have later implementation dates

These changes represent a significant restructuring of Washington's capital gains and estate taxes, creating a more progressive system that increases taxes on higher-value estates and capital gains while providing targeted exemptions for family farms and businesses.

Sponsor: *Representatives Street, Thai, Ryu, Ramel, Peterson, Pollet, Parshley, Scott, Reed, Berry, Santos, Macri, Tharinger; Senators Wilson, C., Stanford, Alvarado, Frame, Nobles, Pedersen, Valdez*

Status HB: **DEAD** – House Finance Committee | NTIB

Status SB: [Delivered to the Governor](#)

HB 2083/SB 5814 – Tax Code Expansions

This bill aims to fund public schools, healthcare, social services, and other programs by modifying certain excise taxes in Washington State. The legislature's stated purpose is to modernize the tax code to better reflect the shift from a goods-based to a service-based economy and to update tobacco product taxation to capture new nicotine products.

Part I: Extending Retail Sales Tax to Select Services

The bill significantly expands services subject to retail sales tax by adding several new categories to RCW 82.04.050(3):

1. Information technology services including:
 - Network operations and support
 - Help desk services
 - Hardware/software training
 - Data entry and processing
2. Custom website development services
3. Investigation and security services including:
 - Background checks
 - Security guard and patrol services
 - Security monitoring services
 - Armored car services
 - Security system services (excluding locksmith services)
4. Temporary staffing services (except for hospitals)
5. Advertising services, including:
 - Creative services (layout, art direction, graphic design)
 - Production services
 - Digital marketing (search engine marketing, lead generation)
 - Online referrals and campaign planning

Notable exclusions from advertising services:

 - Web hosting and domain registration
 - Services for newspapers
 - Out-of-home advertising (billboards, transit ads, etc.)
6. Live presentations (lectures, seminars, workshops)

The bill also creates an exemption for sales between members of an affiliated group for several of these newly taxable services.

Part I: Elimination of Software Exemptions

The bill removes key software exemptions:

1. Eliminates the retail sales tax exemption for custom software
2. Eliminates the exemption for customization of prewritten computer software
3. Adds retail sales tax to electronically delivered custom software services

Part II: Eliminating Digital Automated Service Exclusions

The bill removes several important exclusions from the definition of taxable "digital automated services" in RCW 82.04.192:

1. Services primarily involving human effort after customer request

2. Live presentations (lectures, seminars, workshops)
3. Advertising services
4. Data processing services

These services will now generally be subject to retail sales tax, with limited exceptions for transactions between affiliated businesses.

Part III: Changes to Tobacco Product Taxation

The bill expands the definition of "tobacco products" to include:

1. Products containing nicotine derived from tobacco
2. Products containing synthetically created nicotine

This closes a loophole that had exempted newer nicotine products from tobacco taxation.

The bill specifically exempts FDA-approved nicotine products (as of December 31, 2024) from the tobacco tax if they're approved as drugs, devices, or combination products.

Effective Dates

- Sections on retail sales tax changes (101) and digital automated services (201): October 1, 2025
- Tobacco/nicotine taxation changes (301): January 1, 2026

Conclusion

This bill represents a significant expansion of Washington's retail sales tax to numerous service categories, particularly targeting digital, professional, and technical services. It removes longstanding exemptions for custom software and certain digital services, and broadens tobacco taxation to include all nicotine products regardless of source. These changes align with the legislature's stated goal of modernizing the tax code to reflect the increasingly service-based economy and to capture emerging products in the nicotine market.

Sponsor: *Representatives Stonier, Macri, Parshley, Berry, Reed; Senators Frame, Trudeau, Alvarado, Nobles, Pedersen, Valdez, Wilson, C.*

Status HB: **DEAD** – House Finance Committee | NTIB

Status SB: [Delivered to the Governor](#)

[HB 2081/SB 5815](#) – Business & Occupation (B&O) Tax Hike

This bill makes significant changes to Washington's business and occupation (B&O) tax system.

1. B&O Tax Rate Changes (Effective January 1, 2027)

The bill increases various B&O tax rates from their current rates to a uniform 0.5 percent for most business activities, including:

- Extractors: 0.484% → 0.5%
- Manufacturers: 0.484% → 0.5%
- Retailers: 0.471% → 0.5%
- Wholesalers: 0.484% → 0.5%
- Service providers: Various changes with new tiered structure

For contests of chance, the rate increases from 1.5% to 1.8%.

2. Service Business Tax Rate Restructuring (Section 109)

The bill creates a three-tiered structure for service businesses:

- 1.5% for businesses with gross income less than \$1,000,000 (unchanged)
- 1.75% for businesses with gross income between \$1,000,000 and \$5,000,000

- 2.1% for businesses with gross income exceeding \$5,000,000 (new highest tier)

3. New Surcharge on High-Grossing Businesses (Effective January 1, 2026)

The bill adds a 0.5% surcharge on businesses with Washington taxable income exceeding \$250 million annually. Notable exemptions include:

- Manufacturing activities and related sales
- Income from food, prescription drugs, and certain healthcare items
- Timber industry income
- Petroleum product sales meeting specific conditions
- Fuel transactions
- Agricultural businesses

This surcharge expires December 31, 2029.

4. Increased Financial Institutions Surcharge (Effective October 1, 2025)

The additional tax on specified financial institutions (those with consolidated group net income of at least \$1 billion) increases from 1.2% to 1.5%.

5. Significantly Increased Advanced Computing Surcharge (Effective January 1, 2026)

For large technology companies (with worldwide gross revenue exceeding \$25 billion):

- The surcharge dramatically increases from 1.22% to 7.5%
- The annual cap for affiliated groups increases from \$9 million to \$75 million
- Adds automatic enrollment increases for computer science programs when demand exceeds capacity

6. Clarification of Investment Income Deduction (Effective January 1, 2026)

The bill modifies the investment income deduction by:

- Clarifying that investments must be "incidental to the main purpose" of a business to qualify for deduction
- Defining "incidental" as investment income comprising less than 5% of total worldwide gross income
- Creating exemptions for nonprofit organizations, collective investment vehicles, retirement accounts, and family investment vehicles
- Directing the Department of Revenue to provide guidance on personal investment income not subject to B&O tax

7. Administrative Provisions

The bill requires the Department of Revenue to engage with its business advisory council to recommend statutory and administrative changes to simplify tax compliance. The stated purpose is to fund public schools, higher education, healthcare, social services, and other programs benefiting Washington residents.

Sponsor: *Representatives Fitzgibbon, Peterson, Pollet, Parshley, Scott, Reed, Berry, Macri; Senators Saldaña, Robinson, Frame, Nobles, Pedersen, Valdez*

Status HB: [Delivered to the Governor](#)

Status SB: **DEAD** – Senate Ways & Means Committee | NTIB

HB 2077 - Excise taxes on zero-emission credits

- Imposes an excise tax on the banking and sale of surplus zero-emission vehicle credits by a manufacturer for each model year beginning with model year 2024 program implementation.

SB 5390 – Discover Pass Increases and modifications

- Increases the cost of a Discover Pass from \$30 to \$45, and increases the threshold for changes in revenue distributions from \$71 million to \$100 million in a biennium.
- Adds that a Lifetime Disabled Veteran Pass is equivalent to a Discover Pass.
- Adds that a pass or permit is not required for a motor vehicle used for off-road recreation that has been transported by another motor vehicle with a valid pass or permit.
- Removes the exemption for Lifetime Veteran's Disability Pass recipients from payment of campsite reservation fees.

SB 5583 – Increase for recreational fishing and hunting licenses

- Recreational hunting and fishing license fees are increased by approximately 38 percent overall, with exceptions to limit the increase on senior residents and for certain packages of licenses. Senior rates are established for hunting licenses, offering an estimated 66 percent discount from the regular license fee.

HB 2061 - Concession fees by duty-free sales enterprises

- Allows the state to levy and collect a concession fee on duty-free sales enterprises operating within the state in an amount equal to 10 percent of the gross proceeds of sales of merchandise by the duty-free enterprise.
- Instructs the Department of Revenue to establish procedures and requirements for the payment of concession fees by duty-free enterprises and collection of these fees.
- Creates the Sustainable Aviation Fuel Account in the state treasury and establishes that moneys in the account may be expended by the department for activities supporting research development, environmental review, and infrastructure to support the production of sustainable aviation fuel.

SB 5786 - Increasing license, permit, and endorsement fees

- The statutory fees for many liquor licenses, permits, and endorsements are increased.
- Impacts mostly grocers, restaurants, and bars.

HB 1488 - Conservation district revenue limitations

- Sets the maximum annual per-parcel rate for conservation district rates and charges to \$25, to be adjusted every three years based on the consumer price index.

HB 2015 - Local sales and use tax increase

- Creates a Local Law Enforcement Grant (Grant) Program to be administered by the Criminal Justice Training Commission (CJTC).
- Authorizes a new local 0.1 percent sales and use tax for criminal justice purposes.
- Requires reports on the use of the new local sales and use tax revenues from the Association of Washington Cities and the Washington State Association of Counties.
- Requires annual reports from the CJTC on the Grant program.
- Requires a report from the Washington Association of Police Chiefs and Sheriffs on the law enforcement personnel employed as general authority Washington Peace officers for each local law enforcement agency from 2020 through 2025.

HB 1392 - Creating the Medicaid access program

- Establishes the Medicaid Access Program Account.
- Creates a covered-lives assessment on Medicaid managed care organizations and health carriers.
- Increases Medicaid professional services rates up to the equivalent Medicare rates.

HB 2003 - Fees on salmon fishing licenses on the Columbia River

- Requires a Columbia River Salmon and Steelhead Endorsement for any person 15 years or older to fish recreationally for salmon or steelhead in the Columbia River and its tributaries.
- Creates the Columbia River Recreation Salmon and Steelhead Endorsement Program Account.
- The cost of the Endorsement is \$7.50 for residents and nonresidents, and \$6 for youth and seniors.

